

RELEASE OF AMERICAN HOSTAGES IN BEIRUT

Background. In June 1985, private American and Israeli citizens commenced an operation to effect the release of the American hostages in Beirut in exchange for providing certain factions in Iran with U.S.-origin Israeli military materiel. By September, U.S. and Israeli Government officials became involved in this endeavor in order to ensure that the USG would:

- not object to the Israeli transfer of embargoed materiel to Iran;
- sell replacement items to Israel as replenishment for like items sold to Iran by Israel.

On September 17, the Israeli Government, with the endorsement of the USG, transferred 508 basic TOW missiles to Iran. Forty-eight hours later, Reverend Benjamin Weir was released in Beirut.

Subsequent efforts by both governments to continue this process have met with frustration due to the need to communicate our intentions through an Iranian expatriate arms dealer in Europe. In January 1986, under the provisions of a new Covert Action Finding, the USG demanded a meeting with responsible Iranian government officials.

On February 20, a U.S. Government official met with [Iranian First Channel A

the first direct U.S.-Iranian contact in over five years. At this meeting, the U.S. side made an effort to refocus Iranian attention on the threat posed by the Soviet Union and the need to establish a longer term relationship between our two countries based on more than arms transactions. It was emphasized that the hostage issue was a "hurdle" which must be crossed before this improved relationship could prosper. During the meeting, it also became apparent that our conditions/demands had not been accurately transmitted to the Iranian Government by the intermediary and it was agreed that:

- The USG would establish its good faith and bona fides by immediately providing 1,000 TOW missiles for sale to Iran. This transaction was covertly completed on February 21, using a private U.S. firm and the Israelis as intermediaries.
- A subsequent meeting would be held in Iran with senior U.S. and Iranian officials during which the U.S. hostages would be released.
- Immediately after the hostages were safely in our hands, the U.S. would sell an additional 3,000 TOW missiles to Iran using the same procedures employed during the September 1985 transfer.

In early March, the Iranian expatriate intermediary demanded that Iranian conditions for release of the hostages now included the prior sale of 200 PHOENIX missiles and an unspecified number of HARPOON missiles, in addition to the 3,000 TOWs which would be delivered after the hostages were released. A subsequent meeting was held with the intermediary in Paris on March 8, wherein it was explained that the requirement for prior deliveries violated the understandings reached in Frankfurt on February 20, and were therefore unacceptable. It was further noted that the Iranian aircraft and ship launchers for these missiles were in such disrepair that the missiles could not be launched even if provided.

From March 9 until March 30, there was no further effort undertaken on our behalf to contact the Iranian Government or the intermediary. On March 26, [Iranian First Channel A] made an unsolicited call to the phone-drop in Maryland which we had established for this purpose. [Iranian First Channel A] asked why we had not been in contact and urged that we proceed expeditiously since the situation in Beirut was deteriorating rapidly. He was informed by our Parsi-speaking interpreter that the conditions requiring additional materiel beyond the 3,000 TOWs were unacceptable and that we could in no case provide anything else prior to the release of our hostages. [Iranian First Channel A] observed that we were correct in our assessment of their inability to use PHOENIX and HARPOON missiles and that the most urgent requirement that Iran had was to place their current HAWK missile inventory in working condition. In a subsequent phone call, we agreed to discuss this matter with him and he indicated that he would prepare an inventory of parts required to make their HAWK systems operational. This parts list was received on March 28, and verified by CIA.

Current Situation. On April 3, Ari Gorbanifahr, the Iranian intermediary, arrived in Washington, D.C. with instructions from [Iranian First Channel A] to consummate final arrangements for the return of the hostages. Gorbanifahr was reportedly enfranchised to negotiate the types, quantities, and delivery procedures for materiel the U.S. would sell to Iran through Israel. The meeting lasted nearly all night on April 3-4, and involved numerous calls to Tehran. Unfortunately, bureaucratic delay within the Department of Justice prevented issuing the FISA court order for wire-tap surveillance of these calls or his subsequent calls today. None of his calls were monitored. A Parsi-speaking CIA officer in attendance was able to verify the substance of his calls to Tehran during the meeting. Subject to Presidential approval, it was agreed to proceed as follows:

- By Monday, April 7, the Iranian Government will transfer \$17 million to an Israeli account in Switzerland. The Israelis will, in turn, transfer to a private U.S. corporation account in Switzerland the sum of \$15 million.

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- On Tuesday, April 8 (or as soon as the transactions are verified), the private U.S. corporation will transfer \$3.651 million to a CIA account in Switzerland. CIA will then transfer this sum to a covert Department of the Army account in the U.S.
 - On Wednesday, April 9, the CIA will commence procuring \$3.651 million worth of HAWK missile parts (240 separate line items) and transferring these parts to ^{a CIA facility} [This process is estimated to take seven working days. [the CIA facility]]
 - On Friday, April 10, a private U.S. aircraft (707B) will pick-up the HAWK missile parts at [] and fly them to a covert Israeli airfield for prepositioning (this field was used for the earlier delivery of the 1000 TOWs). At this field, the parts will be transferred to an Israeli Defense Forces' (IDF) aircraft with false markings. A SATCOM capability will be positioned at this location.
 - On Saturday, April 19, McFarlane, North, Teicher, Cave, [a senior CIA official], and a SATCOM communicator will board a CIA aircraft in Frankfurt, Germany, enroute to Tehran. []
 - On Sunday, April 20, the following series of events will occur:
 - U.S. party arrives Tehran (A-hour) -- met by Rafsanjani, as head of the Iranian delegation.
 - At A+7 hours, the U.S. hostages will be released in Beirut.
 - At A+15 hours, the IDF aircraft with the HAWK missile parts aboard will land at Bander Abbas, Iran.

Discussion. The following points are relevant to this transaction, the discussions in Iran, and the establishment of a broader relationship between the United States and Iran:

- The Iranians have been told that our presence in Iran is a "holy commitment" on the part of the USC that we are sincere and can be trusted. There is great distrust of the U.S. among the various Iranian parties involved. Without our presence on the ground in Iran, they will not believe that we will fulfill our end of the bargain after the hostages are released.
- [REDACTED]

- The Iranians know, probably better than we, that both Arafat and Qhadhaffi are trying hard to have the hostages turned over to them. Corbanifahr specifically mentioned that Qhadhaffi's efforts to "buy" the hostages could succeed in the near future. Further, the Iranians are well aware that the situation in Beirut is deteriorating rapidly and that the ability of the IRGC to effect the release of the hostages will become increasingly more difficult over time.
- We have convinced the Iranians of a significant near term and long range threat from the Soviet Union. We have real and deceptive intelligence to demonstrate this threat during the visit. They have expressed considerable interest in this matter as part of the longer term relationship.
- We have told the Iranians that we are interested in assistance they may be willing to provide to the Afghan resistance and that we wish to discuss this matter in Tehran.
- The Iranians have been told that their provision of assistance to Nicaragua is unacceptable to us and they have agreed to discuss this matter in Tehran.
- We have further indicated to the Iranians that we wish to discuss steps leading to a cessation of hostilities between Iran and Iraq.]

- The Iranians are well aware that their most immediate needs are for technical assistance in maintaining their air force and navy. We should expect that they will raise this issue during the discussions in Tehran. Further conversation with Corbanifahr on April 4, indicates that they will want to raise the matter of the original 3,000 TCWs as a significant deterrent to a potential Soviet move against Iran. They have also suggested that, if agreement is reached to provide the TCWs, they will make 200 out of each 1,000 available to the Afghan resistance and train the resistance forces in how to use them against the Soviets. We have agreed to discuss this matter.
- The Iranians have been told and agreed that they will receive neither blame nor credit for the seizure/release of the hostages.]

[REDACTED]

-- The residual funds from this transaction are allocated as follows:

- \$2 million will be used to purchase replacement TOWs for the original 508 sold by Israel to Iran for the release of Benjamin Weir. This is the only way that we have found to meet our commitment to replenish these stocks.
- \$12 million will be used to purchase critically needed supplies for the Nicaraguan Democratic Resistance Forces. This materiel is essential to cover shortages in resistance inventories resulting from their current offensives and Sandinista counter-attacks and to "bridge" the period between now and when Congressionall approved lethal assistance (beyond the \$25 million in "defensive" arms) can be delivered.

The ultimate objective in the trip to Tehran is to commence the process of improving U.S.-Iranian relations. Both sides are aware that the Iran-Iraq War is a major factor that must be discussed. We should not, however, view this meeting as a session which will result in immediate Iranian agreement to proceed with a settlement with Iraq. Rather, this meeting, the first high-level U.S.-Iranian contact in five years, should be seen as a chance to move in this direction. These discussions, as well as follow-on talks, should be governed by the Terms of Reference (TOR) (Tab A) with the recognition that this is, hopefully, the first of many meetings and that the hostage issue, once behind us, improves the opportunities for this relationship.

Finally, we should recognize that the Iranians will undoubtedly want to discuss additional arms and commercial transactions as "quids" for accommodating our points on Afghanistan, Nicaragua, and Iraq. Our emphasis on the Soviet military and subversive threat, a useful mechanism in bringing them to agreement on the hostage issue, has also served to increase their desire for means to protect themselves against/deter the Soviets.

RECOMMENDATION

That the President approve the structure depicted above under "Current Situation" and the Terms of Reference at Tab A.

Approve _____

Disapprove _____

Attachment

Tab A - U.S.-Iranian Terms of Reference

[REDACTED]

TERMS OF REFERENCE
U.S.-Iran Dialogue

I. BASIC PILLARS OF U.S. FOREIGN POLICY (Optional)

- President Reagan came into office at a time when Iran had had a certain impact on the American political process -- perhaps not what you intended.
- The President represented and embodied America's recovery from a period of weakness. He has rebuilt American military and economic strength.
- Most important, he has restored American will and self-confidence. The U.S. is not afraid to use its power in defense of its interests. We are not intimidated by Soviet pressures, whether on arms control or Angola or Central America or Afghanistan.
- At the same time, we are prepared to resolve political problems on the basis of reciprocity.
- We see many international trends -- economic, technological, and political -- working in our favor.

II. U.S. POLICY TOWARD IRAN: BASIC PRINCIPLES

A. U.S. Assessment of Iranian Policy.

- We view the Iranian revolution as a fact. The U.S. is not trying to turn the clock back.
- Our present attitude to Iran is not a product of prejudice or emotion, but a clear-eyed assessment of Iran's present policies.
- Iran has used "revolutionary Islam" as a weapon to undermine pro-Western governments and American interests throughout the Middle East. As long as this is Iran's policy, we are bound to be strategic adversaries.
- Support of terrorism and hostage-taking is part of this strategic pattern. We see it used not only against us but against our friends. We cannot accept either. Your influence in achieving the release of all hostage return of those killed (over time) is essential.

- We see your activity in many parts of the world, including even Central America.
- The U.S. knows how Iran views the Soviet Union. But subversion of Western interests and friends objectively serves Soviet interests on a global scale.
- Thus, our assessment is that a decisive Iranian victory in the war with Iraq would only unleash greater regional instability, a further erosion of the Western position, and enhanced opportunities for Soviet trouble-making.
- The U.S. will therefore do what it can to prevent such a development. We regard the war as dangerous in many respects and would like to see an end to it.

B. Possible Intersections of U.S.-Iranian Interests.

- Despite fundamental conflicts, we perceive several possible intersections of U.S. and Iranian interests. I propose we explore these areas.
- First, the U.S. has had a traditional interest in seeing Iran preserve its territorial integrity and independence. This has not changed. The U.S. opposes Soviet designs on Iran.
- Second, we have no interest in an Iraqi victory over Iran. The U.S. had no relationship with Iraq when the war began and, in fact, We are seeking an end to this conflict and want to use an improved relationship with Iran to further that end.
- Third, we have parallel views on Afghanistan. Soviet policy there is naked aggression, a threat to all in the region. Our mutual friends -- China and Pakistan -- are threatened. We have ties with different elements of the Mujahideen. But our objective is the same: the Soviets must get out and let the Afghan people choose their own course.

C. U.S. Objective Today.

- We have no illusions about what is possible in our bilateral relations. Perhaps this meeting will reveal only a limited, momentary, tactical coincidence of interests. Perhaps more. We are prepared either way.
- In essence, we are prepared to have whatever kind of relationship with Iran that Iran is prepared to have with us.

III. SOVIET MILITARY POSTURE

- Moscow has designs on parts of Iran. We doubt Moscow will acquiesce in an Iranian victory over Iraq. Its Arab equities are too important.
- Afghanistan illustrates the price the Soviets are ready to pay to expand areas under their direct control.
- Summarize Soviet capabilities along border and inside Afghanistan which could threaten Tehran.
- U.S. is aware of Soviet activity in Baluchistan, air strikes.
- Soviet plans for invasion of Iran. How they would do it.
- Iranian support to Sandinista regime in Nicaragua aids and abets Soviet designs -- makes U.S.-Iranian relationship more difficult (\$100 million in oil last year, plus arms).
- U.S. can help Iran cope with Soviet threat.

IV. AFGHANISTAN

- May be real value for Iran and U.S. to find ways to cooperate against Moscow in Afghanistan.
- U.S. can provide humanitarian assistance for refugees [
- We need to know who you work with, what you already provide, and devise strategy to exploit Iranian comparative advantage.

V. HARDWARE

- We may be prepared to resume a limited military supply relationship.
- However, its evolution and ultimate scope will depend on whether our convergent or our divergent interests come to loom larger in the overall picture.
- What does Iran want?